

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02
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R 131440Z JUL 77
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC 3163
INFO AMEMBASSY DAMASCUS

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E.O. 11652: NA
TAGS: EAIR, CZ
SUBJECT: CIVAIR: MORE HEADACHES

REFS A. STATE 143849(NOTAL), B. PRAGUE 1654 (NOTAL),
C. PRAGUE 1576 (NOTAL), D. PRAGUE 1561, E. PRAGUE 1462(NOTAL)

1. SUMMARY: GOC INDICATES IT WILL EXTEND BILATERAL IN TWO OR THREE WEEKS BUT OTHER HEADACHES REMAIN: (A) STATE BANK REFUSES TO ALLOCATE HARD CURRENCY FOR PANAM TICKETS ON PRAGUE-DAMASCUS RUN; (B) LOCAL PANAM OFFICE BURGLIED AGAIN; (C) MINFIN STALLING ON CLARIFICATION OF PANAM REPS INCOME TAX LIABILITY. CHARTE WILL RAISE THESE MATTERS WITH MFA. ACTION REQUESTED: GUIDANCE ON THESE POINTS, ESPECIALLY (A).

2. ZAMLA, DEPUTY HEAD OF MFA'S LEGAL DEPARTMENT, TOLDE/C COUNSELOR JULY 4 THAT HE EXPECTS GOC WILL BE READY TO EXTEND BILATERAL AIR TRANSPORT AGREEMENT (REF E) "SOON", EVIDENTLY WITHIN ABOUT TWO TO THREE WEEKS. MEANWHILE, OTHER CIVAIR HEADACHES CONTINUE TO OCCUPY ATTENTION OF EMBASSY AND LOCAL PANAM REP, COLLINS HAY.

3. HAY HAS COMPLAINED TO CSA THAT ONLY ONE PAN TICKET ON
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PRAGUE-DAMASCUS RUN HAS BEEN SOLD SINCE GOC BELATEDLY GRANTED INTERIM TRAFFIC RIGHTS ON JUNE 8 (REF D). EVIDENTLY STATE BANK REFUSES TO AUTHORIZE ALLOCATION OF HARD CURRENCY FOR SUCH TICKETS, IN EFFECT NULLIFYING MAJOR BENEFIT TO PANAM FROM THESE TRAFFIC RIGHTS. E/C COUNSELOR HAS COMPLAINED TO ZAMLA ABOUT THIS, NOTING THAT THIS IS A SERIOUS MATTER WHICH DOES NOT BODE WELL FOR OUR CIVAIR RELATIONSHIPS IN FUTURE. E/C COUNSELOR SAID THAT GOC, AFTER

HOLDING OUT FOR SO LONG IN GRANTING THESE TRAFFIC RIGHTS, HAS IN EFFECT GIVEN US AN EMPTY BOX IF NO OR VIRTUALLY NO TICKETS CAN BE SOLD. (OF COURSE, STATE BANK'S LACK OF ACTION DOES NOT AFFECT PANAM'S ABILITY TO SELL PRAGUE-DAMASCUS OR DAMASCUS-PRAGUE TICKETS OUTSIDE CSSR.) ZEMLA ATTEMPTED TO BRUSH THIS OFF AS "TECHNICAL" MATTER AND INDICATED MFA WILL TAKE NO ACTION TO PERSUADE STATE BANK TO CHANGE ITS POSITION.

4. PANAM OFFICE WAS BURGLED JULY 5 FOR FOURTH TIME (NOT COUNTING TWO UNSUCCESSFUL ATTEMPTS) IN PAST TWENTY MONTHS. THIS TIME THIEVES TOOK ONLY CALCULATOR AND LIQUOR, BUT HEY ESTIMATES OFFICE HAS LOST 12,000 CROWNS (OVER US \$1,000 AT DIPLOMATIC RATE) WORTH OF GOODS IN ALL DESPITE PAYING SPRAVA SLUZEB (GOC "LANDLORD" AGENCY) 32,000 CROWNS FOR INEFFECTIVE SECURITY IMPROVEMENTS. EVEN IF THESE EVENTS ARE NOT OFFICIALLY INSPIRED HARRASSMENT, THEIR EFFECT HAS BEEN TO STRAIN PANAM'S FINANCES AND WILLINGNESS TO CONTINUE ITS DISTINCTLY NON-LUCRATIVE PRESENCE IN PRAGUE.

5. EMBASSY IS STILL PRESSING MINISTRY OF FINANCE TO GIVE US INFORMATION (PROMISED BY MINISTER LER DURING AMBASSADOR'S JUNE 7 CALL ON HIM, REF C) ON HAY'S INCOME TAX STATUS. WE HAVE HEARD NOTHING FROM CZECHOSLOVAKS ON THIS SINCE HAY WAS TOLD JUNE 13 (REF A AND B) THAT HE SHOULD TAKE NO ACTION SINCE MINFIN IS RESTUDYING ENTIRE SITUATION. SUBSEQUENTLY, WE UNDERSTAND LOCAL AIR CANADA REP WAS REQUIRED TO PAY INCOME TAX RETROACTIVE TO JAN 1, 1977 BEFORE HE WAS ALLOWED TO LEAVE COUNTRY UPON THE CLOSING OF HIS OF LIMITED OFFICIAL USE

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6. COMMENT: 'CHARGE' INTENDS TO RAISE THESE THREE MATTERS (PARAS 3, 4 AND 5) WITH MFA SOON. WE ARE PARTICULARLY CONCERNED ABOUT APPARENT FAILURE OF STATE BANK TO ALLOW SALES OF PANAM TICKETS ON PRAGUE-DAMASCUS RUN AND WOULD WELCOME ANY GUIDANCE OR TALKING POINTS DEPARTMENT CAN PROVIDE ON THIS AND OTHER MATTERS.

7. ACTION REQUESTED: APPROPRIATE GUIDANCE ON ABOVE, PARTICULARLY PARA 3.
FROWICK

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Disposition Date: 22 May 2009
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